PB First Global Tax

Our Expertise, Your Advantage

COMPARING AND CONTRASTING A "TAX GROUP" WITH A "QUALIFYING GROUP"

	Tax Group	**Qualifying Group**
Tax registration	Single tax registration saves registration time and expense	Each company is registered separately.
Tax return and payments	One tax return is prepared which merges all the assets, liabilities, income and expenditure of each member of the tax group and one tax amount is paid.	Each company inside a qualifying group prepares and file its own return and also pays its tax liability. This approach results in multiple returns being filed and multiple payments being made.
Thresholds	A corporate tax group has one zero rate AED375,000 threshold and the interest relief is limited to 30% of EBITDA or AED12,000,000 threshold whichever is the higher. Doing so potentially results in more tax payable than would be the case if the companies file on a solo basis.	Each member of a qualifying group has one zero rate AED375,000 threshold and an interest relief limitation of 30% of EBITDA or AED12,000,000 threshold per company, whichever is the higher.
Intra group transfers of assets and liabilities	Members of a tax group can transfer assets and liabilities to another member of the same tax group on a tax neutral basis. The assets and liabilities for this purpose include both capital and trading assets and liabilities.	One company can transfer assets and liabilities to another company on a tax neutral basis if the companies have at least 75% commonality of shareholding. The assets and liabilities for this purpose only cover capital assets and liabilities and as a consequence unrealized gains on intra group transfers of trading assets may become taxable when those gains would not arise if the companies were members of a tax group.

Current year tax loss transfers	Any current year tax loss incurred by the parent or member of a tax group group is fully deducted from the profits of the parent and members to extent of available tax profits	A company’s current year tax loss can be transferred to an at least 75% commonly owned company having taxable profits providing the deduction for the loss deduction does not exceed 75% of the taxable income of the profit company before the loss.
Prior year tax loss transfers	Any prior year tax loss incurred by the parent or member of a tax group group is deducted from the profits of the parent and members in the tax group to extent of 75% of available tax profits taxable income subject to the group satisfying the same shareholder test (ie more than 50% commonality in the loss year, the profit year and each intervening year)	Any prior year tax loss incurred by a member of a qualifying group is deducted from the profits of another company in the qualifying group to extent of 75% of available tax profits taxable income of the transferee company subject to the transferee satisfying the same shareholder test (ie more than 50% commonality in the loss year, the profit year and each intervening year)
Foreign tax credits	The availability of a credit for taxes deducted at source is less likely to be wasted if as a result of a company being a member of a tax group the company deriving foreign source income from which taxes have been deducted no longer is in a tax loss as its income is consolidated with the taxable income of the other members. The reverse position can also arise and it is not simple to remove a company from a tax group to protect foreign tax credits	The availability of a credit for taxes deducted at source is likely to be wasted if as a result of a company being a member of a qualifying group the company deriving foreign source income from which taxes have been deducted is in a tax loss. Other qualifying members are unable to transfer profits to a loss company.